

HUNTINGTON CITY
FINANCIAL STATEMENTS
JUNE 30, 2006

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Huntington City
Huntington, Utah 84528

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huntington City as of and for the year ended June 30, 2006, which collectively comprise Huntington City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Huntington City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2006, on our consideration of Huntington City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the City's infrastructure and budgetary comparison information on pages 4 through 14, 44 and 45 through 48 are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 10, 2006
Richfield, Utah

**HUNTINGTON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006**

This discussion of Huntington City's financial performance provided an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, and interest on long-term debt.

Financial Highlights

- * The assets of Huntington City exceeded its liabilities as of the close of the most recent year by \$11,462,577 (net assets). Of this amount, \$2,273,581 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$636,354. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Huntington City's governmental funds reported combined ending fund balances of \$2,239,701, an increase of \$519,700 in comparison with the prior year. Approximately 72 percent of this total amount, \$1,611,760 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$114,581, or 17 percent of total general fund expenditures.
- * Huntington City's total debt decreased by \$113,000 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Huntington City's basic financial statements. Huntington City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Huntington City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Huntington City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Huntington City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned by unused vacation leave).

Both of the government-wide financial statements distinguish functions of Huntington City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The Governmental activities of Huntington City include general government, public safety, highways and public improvements, parks and recreation, and cemetery. The business-type activities of Huntington City are water, sewer and secondary water operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Huntington City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Huntington City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Huntington City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, municipal building authority and capital project fund all of which are considered to be major funds.

Huntington City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Huntington City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A combining statement for these two funds is shown elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, and secondary water which are considered to be a major funds of Huntington City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Huntington City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Huntington City, assets exceeded liabilities by \$11,462,577 at the close of the most recent fiscal year. By far the largest portion of Huntington City's net assets (74 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Huntington City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	2,255,254	1,738,562	779,850	730,609	3,035,104	2,469,171
Capital Assets	7,267,441	7,203,838	1,786,616	1,893,702	9,054,057	9,097,540
Total Assets	9,522,695	8,942,400	2,566,466	2,624,311	12,089,161	11,566,711
Long-Term Liabilities	422,700	496,436	49,000	94,000	471,700	590,436
Other Liabilities	89,803	92,380	65,081	57,672	154,884	150,052
Total Liabilities	512,503	588,816	114,081	151,672	626,584	740,488
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	6,775,441	6,633,582	1,763,614	1,757,152	8,539,055	8,390,734
Restricted	627,941	327,023	22,000	24,000	649,941	351,023
Unrestricted	1,606,810	1,392,979	666,771	691,487	2,273,581	2,084,466
Total Net Assets	9,010,192	8,353,584	2,452,385	2,472,639	11,462,577	10,826,223

A portion of Huntington City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,273,581) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Huntington City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities increased Huntington City's net assets by \$656,608. The changes are reflected below.

Huntington City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	62,522	76,983	343,539	304,104	406,061	381,087
Operating Grants	100,372	86,191	-	-	100,372	86,191
Capital Grants	372,421	85,133	-	-	372,421	85,133
General Revenues:						
Property Taxes	65,098	60,607	-	-	65,098	60,607
Other Taxes	510,043	417,801	-	-	510,043	417,801
Unrestricted Investment Earnings	100,947	55,293	-	-	100,947	55,293
Total Revenues	1,211,403	782,008	343,539	304,104	1,554,942	1,086,112
Expenses:						
General Government	353,933	312,872	-	-	353,933	312,872
Public Safety	34,090	21,347	-	-	34,090	21,347
Highways and Public Improvements	46,804	38,322	-	-	46,804	38,322
Parks and Recreation	116,848	102,110	-	-	116,848	102,110
Interest on Long-Term Debt	3,120	4,860	14,081	18,863	17,201	23,723
Water, Sewer & Secondary	-	-	349,712	328,611	349,712	328,611
Total Expenses	554,795	479,511	363,793	347,474	918,588	826,985
Increase in Net Assets Before Transfers	656,608	302,497	(20,254)	(43,370)	636,354	259,127
Transfers	-	(40,000)	-	40,000	-	-
Increase in Net Assets	656,608	262,497	(20,254)	(3,370)	636,354	259,127
Net Assets - Beginning	8,353,584	8,091,087	2,472,639	2,476,009	10,826,223	10,567,096
Total Net Assets	9,010,192	8,353,584	2,452,385	2,472,639	11,462,577	10,826,223

* The City received capital grants for a total amount of \$372,421 from the CIB and CDBG.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities decreased Huntington City's net assets by \$20,254, accounting for 100 percent of the total decrease in the government's net assets.

* The revenues were less than the adopted budget amounts, and expenses were less than the adopted budget amounts.

* The depreciation in the enterprise funds remained the same as the prior year.

Financial Analysis of the Government's Funds

As noted earlier, Huntington City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Huntington City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Huntington City's governmental funds reported combined ending fund balances of \$2,239,701, an increase of \$519,700 in comparison with the prior year. Approximately 72 percent of this amount (\$1,611,760) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements for \$151,990, perpetual care for \$126,563, and Capital Outlay for \$349,388.

The general fund is the chief operating fund of Huntington City. At the end of the current year, unreserved fund balance of the general fund was \$114,581, while total fund balance reached \$615,959. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17 percent of total general fund expenditures, while total fund balance represents 92 percent of that same amount.

Proprietary Funds

Huntington City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water, sewer and secondary water funds at the end of the year were \$666,771. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The only difference between the original budget and the final amended budget is the state grants received in the amount of \$359,800.

Actual revenues were less than budgeted revenues by \$150,472 and actual expenditures were less than budgeted expenditures by \$415,974 resulting in a net increase in fund balance of \$265,502.

Capital Asset and Debt Administration

Capital Assets

Huntington City's investment in capital assets for its governmental activities as of June 30, 2006, was \$7,267,441 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways, sidewalks, curb and gutter and bridges.

The total increase in Huntington City's investment in capital assets for the current year was \$138,597. Major capital asset events during the current year included the following:

- * Streets for \$107,847.
- * Machinery and equipment \$30,750.

Also, the City has elected to use the modified approach to account for its infrastructure assets, such as roads sidewalks and curb and gutter. That information can be found in the required supplemental information following the notes to the financial statements.

Huntington City's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	137,210	137,210	40,945	40,945	178,155	178,155
Water Shares	-	-	889,393	888,393	889,393	888,393
Infrastructure	5,875,269	5,767,423	-	-	5,875,269	5,767,423
Buildings	758,854	789,220	-	-	758,854	789,220
Improvements Other than Buildings	377,612	404,387	834,278	964,364	1,211,890	1,368,751
Equipment	118,496	105,598	-	-	118,496	105,598
Total	7,267,441	7,203,838	1,764,616	1,893,702	9,032,057	9,097,540

Additional information on Huntington City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Huntington City had total bonded debt outstanding of \$586,000. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Huntington City's Long-Term Debt
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	\$492,000	\$564,000	\$94,000	\$135,000	\$586,000	\$699,000

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The City has no general obligation debt.

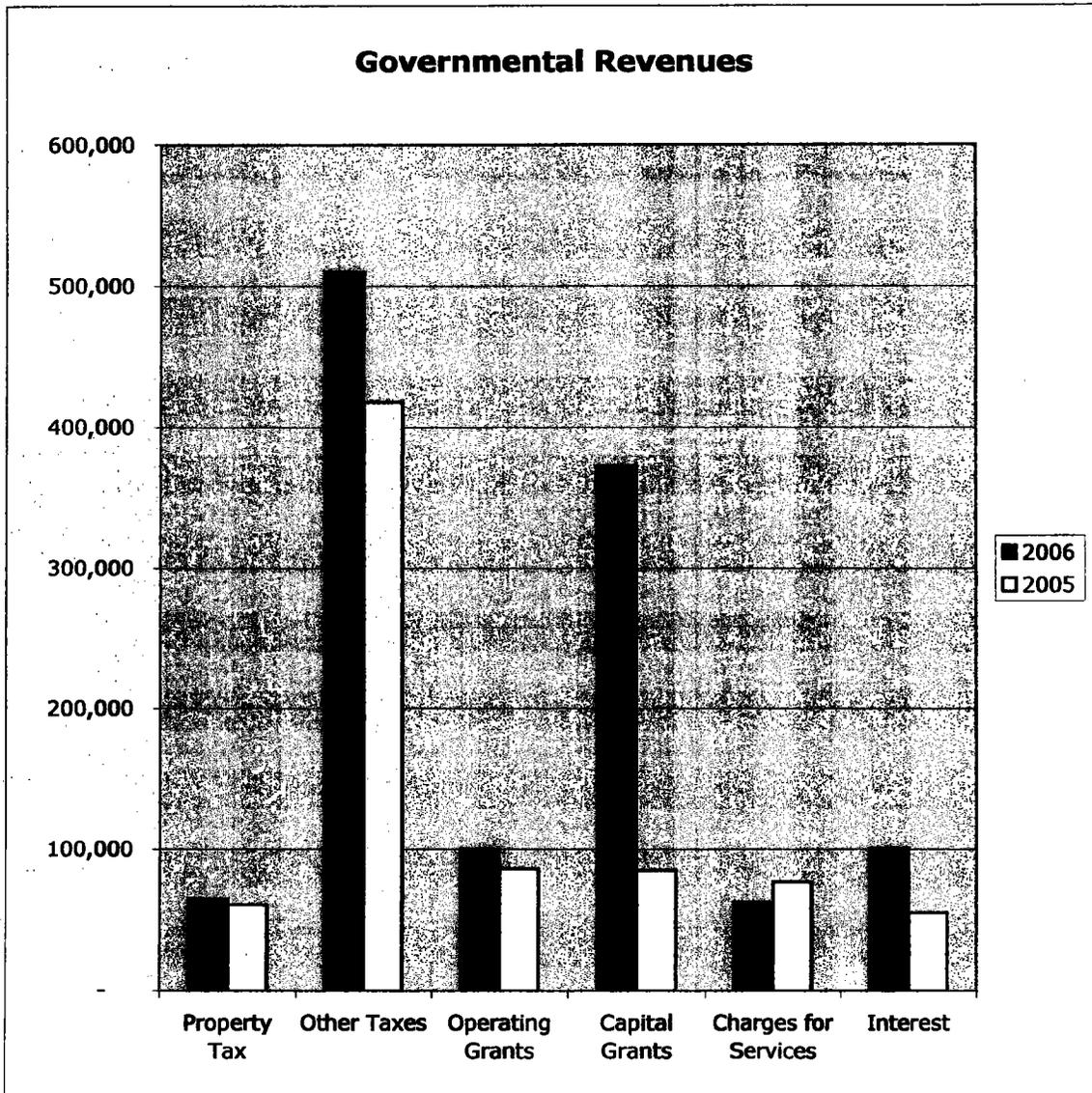
Additional information on Huntington City's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Huntington City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Huntington City Recorder, P.O. Box 126, Huntington, Utah, 84528-0126.

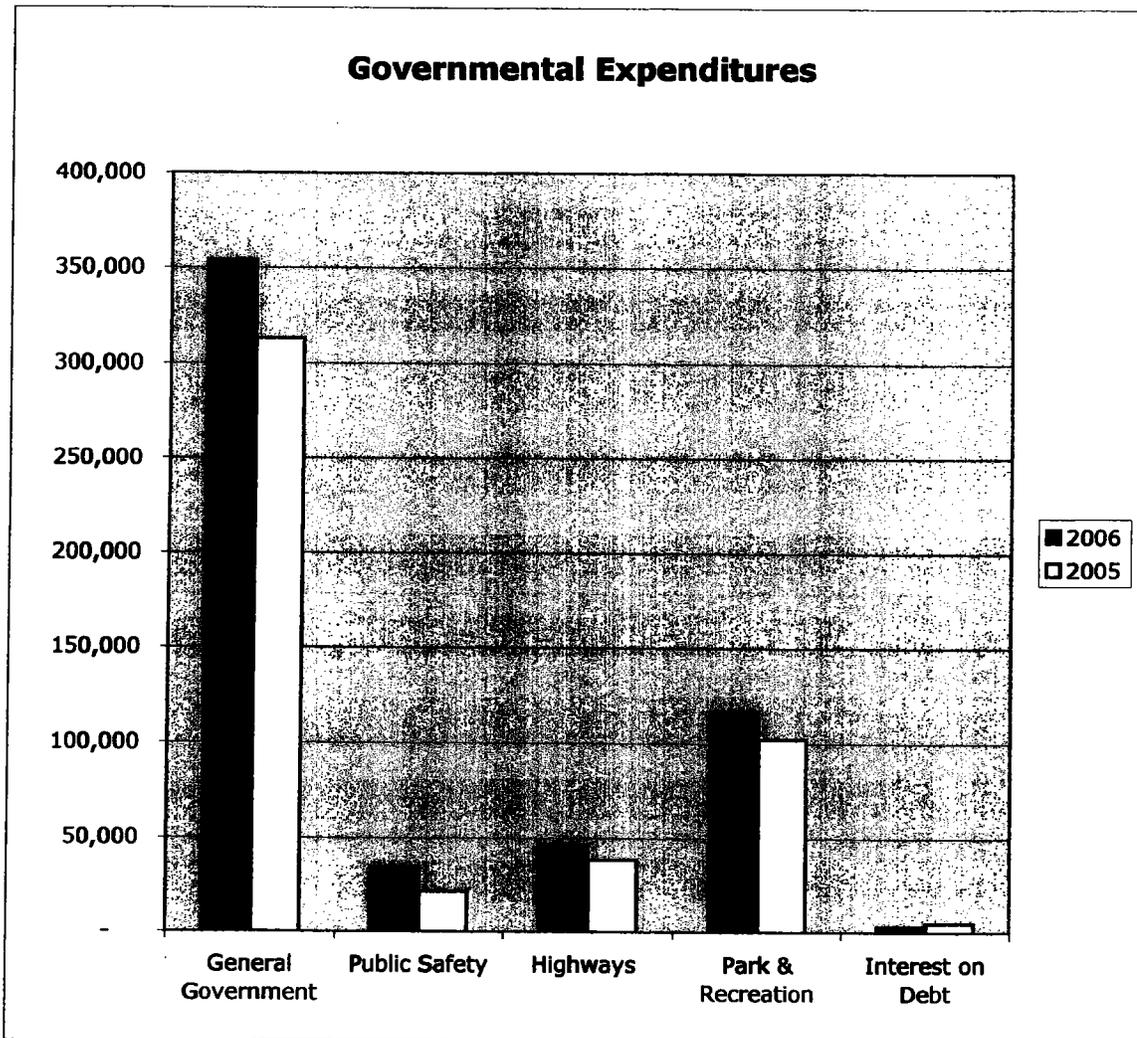
**Huntington City
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Property Tax	65,098	60,607
Other Taxes	510,043	417,801
Operating Grants	100,372	86,191
Capital Grants	372,421	85,133
Charges for Services	62,522	76,983
Interest	100,947	55,293
Total Revenues	<u>1,211,403</u>	<u>782,008</u>



**Huntington City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005**

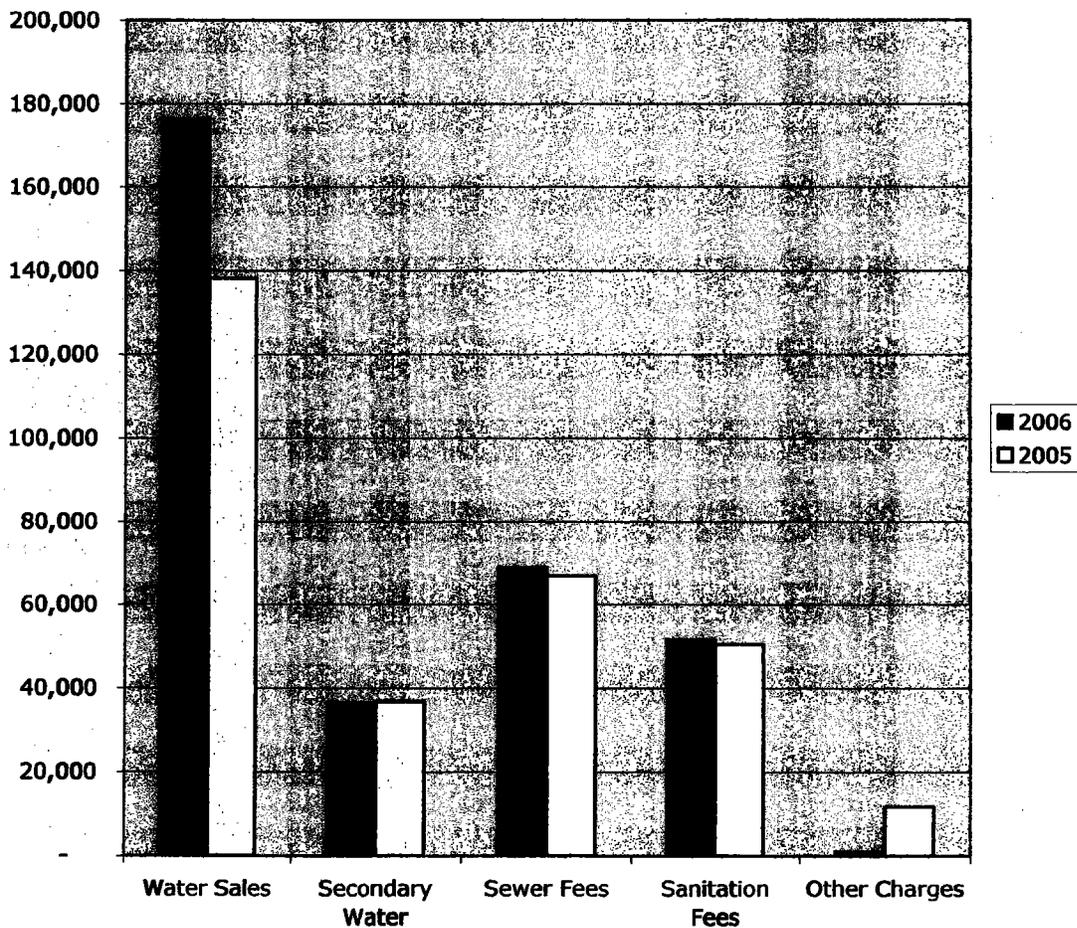
	2006	2005
General Government	353,933	312,872
Public Safety	34,090	21,347
Highways	46,804	38,322
Park & Recreation	116,848	102,110
Interest on Debt	3,120	4,860
Total Expenditures	554,795	479,511



**Huntington City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

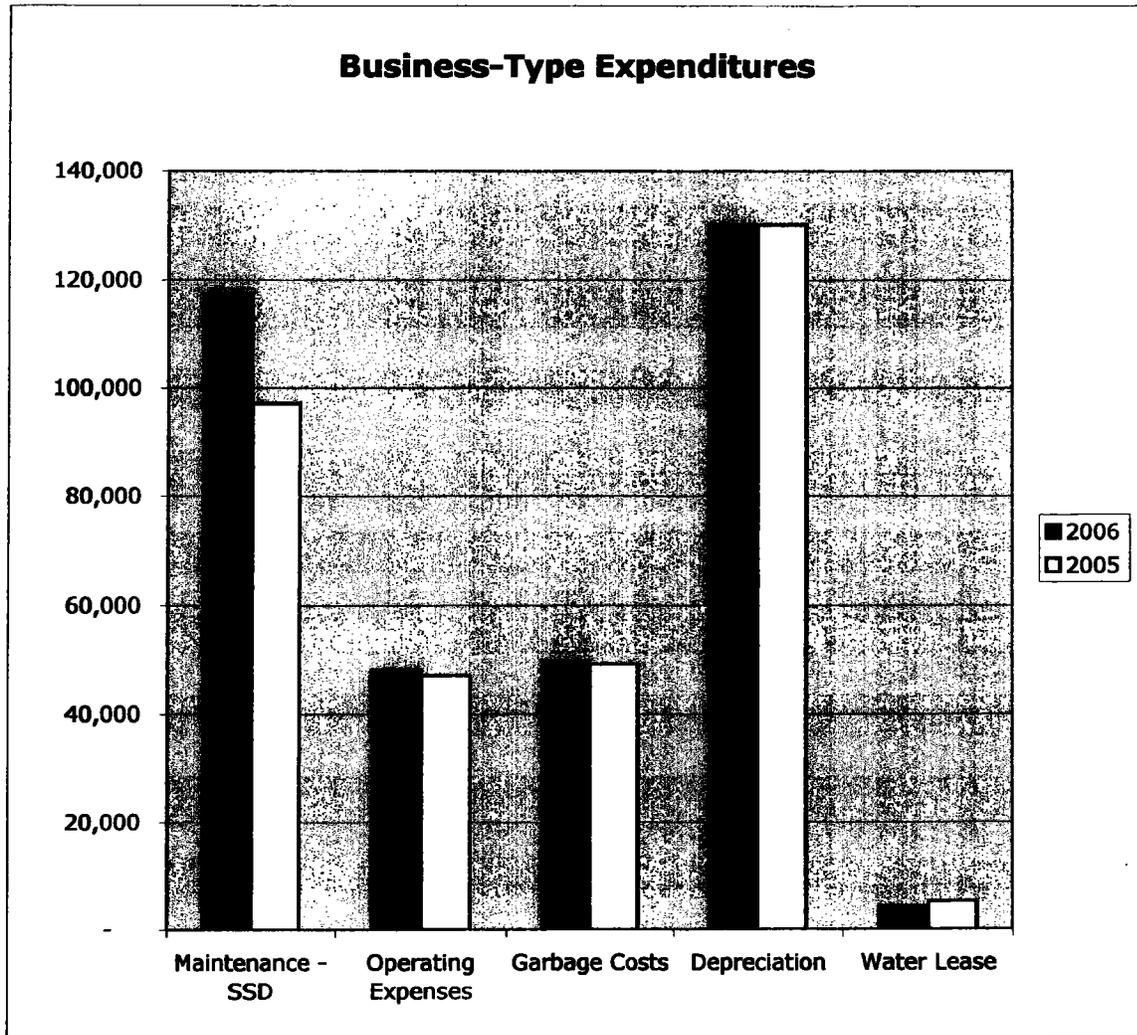
	2006	2005
Water Sales	176,482	138,189
Secondary Water	36,515	36,820
Sewer Fees	68,932	66,815
Sanitation Fees	51,510	50,490
Other Charges	1,000	11,790
Total Revenues	334,439	304,104

**Business-Type
Revenues**



Huntington City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Maintenance - SSD	117,386	97,125
Operating Expenses	48,144	47,073
Garbage Costs	49,816	49,148
Depreciation	130,086	130,086
Water Lease	4,280	5,179
Total Expenditures	349,712	328,611



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BASIC FINANCIAL STATEMENTS

**HUNTINGTON CITY
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	2,234,500	751,122	2,985,622
Accounts Receivable (Net)	-	28,728	28,728
Due From Other Government Units	20,754	-	20,754
Total Current Assets	2,255,254	779,850	3,035,104
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	22,000	22,000
Capital Assets (Net of Accumulated Depreciation):			
Land	137,210	40,945	178,155
Water Shares	-	889,393	889,393
Buildings	758,854	-	758,854
Improvements Other Than Buildings	377,612	834,278	1,211,890
Equipment	118,496	-	118,496
Infrastructure	5,875,269	-	5,875,269
Total Noncurrent Assets	7,267,441	1,786,616	9,054,057
TOTAL ASSETS	9,522,695	2,566,466	12,089,161
LIABILITIES			
Current Liabilities:			
Accounts Payable	15,553	9,856	25,409
Deposits Payable	-	9,375	9,375
Bond Interest Payable	1,250	850	2,100
Revenue Bonds Payable - Due Within One Year	73,000	45,000	118,000
Total Current Liabilities	89,803	65,081	154,884
Noncurrent Liabilities:			
Revenue Bonds Payable - More Than One Year	419,000	49,000	468,000
Compensated Absences	3,700	-	3,700
Total Noncurrent Liabilities	422,700	49,000	471,700
TOTAL LIABILITIES	512,503	114,081	626,584
NET ASSETS			
Investment in Capital Assets, Net of Debt	6,775,441	1,763,614	8,539,055
Restricted For:			
Bond Retirement	-	22,000	22,000
Perpetual Care	126,563	-	126,563
Class C Road	151,990	-	151,990
Capital Outlay	349,388	-	349,388
Unrestricted	1,606,810	666,771	2,273,581
TOTAL NET ASSETS	9,010,192	2,452,385	11,462,577
TOTAL LIABILITIES AND NET ASSETS	9,522,695	2,566,466	12,089,161

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs	Program Revenues		Charges for Operating Grants/Capital Grants/ Contributions		Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Services	Contributions	Contributions	Primary Government	
		Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Function/Programs Primary Government:						
Governmental Activities:						
General Government	353,933	46,209	-	-	(307,724)	(307,724)
Public Safety	34,090	-	1,999	-	(32,091)	(32,091)
Highways and Public Improvements	46,804	-	98,373	372,421	423,990	423,990
Park and Recreation	116,848	16,313	-	-	(100,535)	(100,535)
Interest on Long-Term Debt	3,120	-	-	-	(3,120)	(14,081)
	554,795	62,522	100,372	372,421	(19,480)	(14,081)
Total Governmental Activities					(19,480)	(33,561)
Business-Type Activities:						
Utility Systems	349,712	343,539	-	-	-	(6,173)
	904,507	406,061	100,372	372,421	(19,480)	(20,254)
Total Primary Government					(19,480)	(39,734)
General Revenues:						
Property Taxes		65,098			-	65,098
Fee-In-Lieu of Property Taxes		21,487			-	21,487
Sales Taxes		413,966			-	413,966
Franchise Taxes		74,590			-	74,590
Unrestricted Investment Earnings		100,947			-	100,947
		676,088			-	676,088
Total General Revenues and Transfers					676,088	676,088
Change in Net Assets					656,608	(20,254)
Net Assets - Beginning					8,353,584	2,472,639
Net Assets - Ending					9,010,192	2,452,385

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	General Fund	Capital Improvement	Other Governmental Funds	Total
ASSETS				
Cash and Cash Equivalents	610,758	1,497,171	126,571	2,234,500
Due From Other Government Units	20,754	-	-	20,754
TOTAL ASSETS	631,512	1,497,171	126,571	2,255,254
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	15,553	-	-	15,553
Total Liabilities	15,553	-	-	15,553
Fund Balances:				
Reserved For:				
Perpetual Care	-	-	126,563	126,563
Class "C" Road	151,990	-	-	151,990
Capital Outlay	349,388	-	-	349,388
Unreserved, Reported In:				
General Fund	114,581	-	-	114,581
Special Revenue Funds	-	-	8	8
Capital Project Fund	-	1,497,171	-	1,497,171
Total Fund Balance	615,959	1,497,171	126,571	2,239,701
TOTAL LIABILITIES AND FUND BALANCE	631,512	1,497,171	126,571	2,255,254

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

June 30, 2006

Total Fund Balances - Governmental Fund Types 2,239,701

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	137,210
Buildings	758,854
Improvements	377,612
Equipment	118,496
Infrastructure	<u>5,875,269</u>

Total 7,267,441

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Revenue Bonds Payable	(492,000)
Interest Payable	(1,250)
Compensated Absences	<u>(3,700)</u>

Total (496,950)

Net Assets of Government Activities 9,010,192

HUNTINGTON CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Capital Improvement	Other Governmental Funds	Total
Revenues:				
Taxes	575,141			575,141
Licenses and Permits	8,267	-	-	8,267
Intergovernmental Revenue	472,793	-	-	472,793
Charges for Services	43,600	-	-	43,600
Perpetual Care	-	-	2,698	2,698
Interest	100,947	-	-	100,947
Miscellaneous Revenues	3,178	-	10,000	13,178
Total Revenues	1,203,926	-	12,698	1,216,624
Expenditures:				
Current:				
General Government	335,941	-	-	335,941
Public Safety	32,795	-	-	32,795
Highways and Public Improvements	35,562	-	-	35,562
Parks and Recreation	78,340	-	-	78,340
Capital Outlay	115,096	23,500	-	138,596
Debt Service:				
Principal	62,000	-	10,000	72,000
Interest	3,690	-	-	3,690
Total Expenditures	663,424	23,500	10,000	696,924
Excess Revenues Over (Under) Expenditures	540,502	(23,500)	2,698	519,700
Other Financing Sources (Uses):				
Transfers In	-	275,000	-	275,000
Transfers Out	(275,000)	-	-	(275,000)
Total Other Financing	(275,000)	275,000	-	-
Net Change In Fund Balance	265,502	251,500	2,698	519,700
Fund Balance - Beginning	350,457	1,245,671	123,873	1,720,001
Fund Balance - Ending	615,959	1,497,171	126,571	2,239,701

The notes to the financial statements are an integral part of this statement.

HUNTINGTON CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	519,700
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	138,596	
Depreciation Expense	<u>(69,773)</u>	
Total		68,823

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments on Bonds	72,000	
Compensated Absences	<u>735</u>	
Total		72,735

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Capital Asset Adjustment	(5,220)	
Interest Payable	<u>570</u>	
Total		<u>(4,650)</u>

Changes in Net Assets of Governmental Activities	<u><u>656,608</u></u>
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**HUNTINGTON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activities Enterprise Fund		
	Water and Sewer Fund	Secondary Water System	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	559,892	213,230	773,122
Accounts Receivable	25,455	3,273	28,728
Total Current Assets	585,347	216,503	801,850
Noncurrent Assets:			
Capital Assets: (Net of Accum. Depreciation)			
Land	40,945	-	40,945
Water Shares	889,393	-	889,393
Improvements Other Than Buildings	740,280	93,998	834,278
Total Noncurrent Assets	1,670,618	93,998	1,764,616
TOTAL ASSETS	2,255,965	310,501	2,566,466
LIABILITIES:			
Current Liabilities:			
Accounts Payable	9,856	-	9,856
Deposits Payable	9,375	-	9,375
Bond Interest Payable	850	-	850
Bonds Payable - Current Portion	45,000	-	45,000
Total Current Liabilities	65,081	-	65,081
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	49,000	-	49,000
TOTAL LIABILITIES	114,081	-	114,081
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,669,616	93,998	1,763,614
Restricted for:			
Bond Reserves	22,000	-	22,000
Unrestricted	450,268	216,503	666,771
TOTAL NET ASSETS	2,141,884	310,501	2,452,385
TOTAL LIABILITIES AND NET ASSETS	2,255,965	310,501	2,566,466

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activities Enterprise Fund		Total
	Water and Sewer Fund	Secondary Water System	
Operating Revenues:			
Charges for Sales and Services:			
Water Fees	176,482	36,515	212,997
Sewer Fees	68,932	-	68,932
Sanitation Fees	51,510	-	51,510
Other Charges	1,000	-	1,000
	297,924	36,515	334,439
Total Operating Revenues			
Operating Expenses:			
Costs of Sales and Services	156,562	24,064	180,626
Administrative Fee	39,000	-	39,000
Depreciation	118,471	11,615	130,086
	314,033	35,679	349,712
Total Operating Expenses			
Operating Income	(16,109)	836	(15,273)
Nonoperating Revenues (Expenses):			
Connection Fees	9,100	-	9,100
Interest Expense	(14,081)	-	(14,081)
	(4,981)	-	(4,981)
Total Nonoperating Revenues (Expenses)			
Change in Net Assets	(21,090)	836	(20,254)
Total Net Assets - Beginning	2,162,974	309,665	2,472,639
Total Net Assets - Ending	2,141,884	310,501	2,452,385

The notes to the financial statements are an integral part of this statement.

**HUNTINGTON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activities Enterprise Fund		
	Water and Sowcr Fund	Secondary Water System	Total
Cash Flows From Operating Activities:			
Receipts From Customers	297,428	36,805	334,233
Payments to Suppliers	(192,153)	(24,064)	(216,217)
Net Cash Provided by Operating Activities	<u>105,275</u>	<u>12,741</u>	<u>118,016</u>
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(41,000)	-	(41,000)
Interest Paid on Capital Debt	(14,081)	-	(14,081)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(55,081)</u>	<u>-</u>	<u>(55,081)</u>
Cash Flows from Investing Activities:			
Connection Fees	9,100		9,100
Purchase of Water Shares	(1,000)	-	(1,000)
Net Cash Provided (Used) by Investing Activities	<u>8,100</u>	<u>-</u>	<u>8,100</u>
Net Increase (Decrease) in Cash and Cash Equivalents	58,294	12,741	71,035
Cash and Cash Equivalents - Beginning	<u>501,598</u>	<u>200,489</u>	<u>702,087</u>
Cash and Cash Equivalents - Ending	<u><u>559,892</u></u>	<u><u>213,230</u></u>	<u><u>773,122</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	(16,109)	836	(15,273)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	118,471	11,615	130,086
Increase (Decrease) in Operating Assets:			
Accounts Receivable	(496)	290	(206)
Accrued Liabilities	3,409	-	3,409
Total Adjustments	<u>121,384</u>	<u>11,905</u>	<u>133,289</u>
Net Cash Provided (Used) by Operating Activities	<u><u>105,275</u></u>	<u><u>12,741</u></u>	<u><u>118,016</u></u>

The notes to the financial statements are an integral part of this statement.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Huntington City conform to accounting principles generally accepted in the United States of America as applicable to governments.

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

A. Reporting Entity

Huntington City is a municipal corporation in Emery County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Huntington City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Huntington City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Improvement Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The government also reports the following non-major governmental fund:

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to Huntington City for City purposes.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and sewer operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Improvements Other Than Buildings	33 Years
Equipment	7 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes:

Property taxes are assessed and collected for the City by Emery County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$297,480 and the bank balance was \$343,651. Of the bank balance, \$200,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	297,480
Investments - PTIF	2,705,531
Escrow Accounts	4,611
Total Cash and Investments	<u>3,007,622</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	2,234,500
Business-Type Activities - Unrestricted	751,122
Business-Type Activities - Restricted	22,000
Total Cash and Cash Equivalents	<u>3,007,622</u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$143,651 of the local government's bank balances of \$343,651 were uninsured and uncollateralized.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$2,705,531 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - WATER SHARES

The Water and Sewer Fund has a total of 5,722.31 water shares, which are shown at a cost of \$889,393. The current value of water shares is greater than the original cost.

NOTE 4 - PURCHASE OF WATER SHARES

During the year the City acquired 6 shares of water of the Huntington-Cleveland Irrigation Company.

HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Depreciated:				
Land	137,210	-	-	137,210
Infrastructure	<u>5,767,423</u>	<u>107,846</u>	<u>-</u>	<u>5,875,269</u>
 Total Capital Assets Not Being Depreciated	 <u>5,904,633</u>	 <u>107,846</u>	 <u>-</u>	 <u>6,012,479</u>
Capital Assets Being Depreciated:				
Buildings	1,050,090	-	-	1,050,090
Improvements Other Than Bldg.	531,056	-	5,220	525,836
Machinery and Equipment	<u>337,870</u>	<u>30,750</u>	<u>-</u>	<u>368,620</u>
 Total Capital Assets Being Depreciated	 <u>1,919,016</u>	 <u>30,750</u>	 <u>5,220</u>	 <u>1,944,546</u>
Less Accumulated Depreciation For:				
Buildings	260,870	30,366	-	291,236
Improvements Other Than Bldg.	126,669	21,555	-	148,224
Machinery and Equipment	<u>232,272</u>	<u>17,852</u>	<u>-</u>	<u>250,124</u>
 Total Accumulated Depreciation	 <u>619,811</u>	 <u>69,773</u>	 <u>-</u>	 <u>689,584</u>
 Total Capital Assets Being Depreciated (Net)	 <u>1,299,205</u>	 <u>(39,023)</u>	 <u>5,220</u>	 <u>1,254,962</u>
 Governmental Activities Capital Assets, Net	 <u>7,203,838</u>	 <u>68,823</u>	 <u>5,220</u>	 <u>7,267,441</u>

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	40,945	-	-	40,945
Water Stock	888,393	1,000	-	889,393
Total Capital Assets Not Being Depreciated	929,338	1,000	-	930,338
Capital Assets Being Depreciated:				
Equipment	25,100	-	-	25,100
Utility Systems	4,294,232	-	-	4,294,232
Total Capital Assets Being Depreciated	4,319,332	-	-	4,319,332
Less Accumulated Depreciation For:				
Equipment	25,100	-	-	25,100
Utility Systems	3,329,868	130,086	-	3,459,954
Total Accumulated Depreciation	3,354,968	130,086	-	3,485,054
Total Capital Assets Being Depreciated (Net)	964,364	(130,086)	-	834,278
Business Type Activities Capital Assets, Net	1,893,702	(130,086)	-	1,764,616
Total Capital Assets	9,097,540	(61,263)	5,220	9,032,057

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	18,728	-	18,728
Public Safety	1,295	-	1,295
Public Health	-	130,086	130,086
Highways and Public Improvements	11,242	-	11,242
Parks and Recreation	<u>38,508</u>	<u>-</u>	<u>38,508</u>
Total Depreciation Expense	<u><u>69,773</u></u>	<u><u>130,086</u></u>	<u><u>199,859</u></u>

NOTE 6 - LONG-TERM DEBT

Utility Long-Term Debt

On June 27, 1988, Huntington City's Water and Sewer Utility Fund issued \$440,000 in water and sewer refunding revenue bonds (\$278,000 water and \$162,000 sewer) with an interest rate of 10.98% to advance refund \$884,681 of F. H. A. outstanding 1977 and 1978 water and sewer bonds with interest rates of 5%. The new proceeds of \$440,000 plus \$94,213 released from debt service escrow accounts, were used to retire the outstanding debt, accrued interest and other issuance costs.

The bond resolution approved in conjunction with the issuance of the Huntington City Water and Sewer revenue bonds provides, among other things, that certain funds be established and that certain accounting procedures be followed. Under the terms of the resolution the City irrevocably pledged that net revenues of the Utilities to the payment of the bonds and covenanted that rates will be established to yield net revenues, as defined, equal to at least 1.25 times the debt service to become due in the next fiscal year.

1988 Sewer Refunding Revenue Bond:

1988, \$162,000 Sewer Refunding Revenue Bond - held by Zions First National Bank, Twenty (20) year bond, 10.98% interest, payable in monthly installments, issued June of 1988. Principal balance at June 30, 2006, was \$35,000.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/07	17,000	3,843	20,843
2007/08	18,000	1,976	19,976
Total	35,000	5,819	40,819

1988 Water Refunding Revenue Bond:

1988, \$278,000 Water Refunding Revenue Bond - held by Zions First National Bank, Twenty (20) year bond, 10.98% interest, payable in monthly installments, issued June of 1988. Principal balance at June 30, 2006, was \$59,000.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/07	28,000	6,478	34,478
2007/08	31,000	3,404	34,404
Total	59,000	9,882	68,882

The following is a summary of utility long-term debt to maturity:

	Principal	Interest	Total
2006/07	45,000	10,321	55,321
2007/08	49,000	5,380	54,380
Total	94,000	15,701	109,701

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Long-Term Debt:

CIB Loan:

During June of 1997, Huntington City received a CIB Grant for \$375,000 and a CIB Loan for \$375,000 for the purpose of financing a curb and gutter project within the City. The project is accounted for in the General Fund. The CIB Loan carries an interest rate of 3% and is payable in yearly installments over ten years beginning in 1999.

The following is an amortization schedule of debt service charges to maturity:

	Principal	Interest	Total
2006/07	41,000	2,490	43,490
2007/08	42,000	1,260	43,260
Total	83,000	3,750	86,750

Street Improvement Revenue Bonds, Series 2002:

During January of 2002, Huntington City received a CIB Grant in the amount of \$222,500 and a loan in the amount of \$222,500 for the purpose of financing a curb and gutter project within the City. The project will be accounted for in the general fund and future Class C Road revenues are pledged to secure the debt. The CIB loan is interest free and is payable in annual installments over ten years beginning in December of 2004.

The following is an amortization schedule of debt service charges to maturity:

	Principal	Interest	Total
2006/07	22,000	-	22,000
2007/08	22,000	-	22,000
2008/09	22,000	-	22,000
2009/10	22,000	-	22,000
2010/11	22,000	-	22,000
2012/16	69,000	-	69,000
Total	179,000	-	179,000

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

2003/2004 CIB Loan:

During the year the City obtained a loan for \$250,000 from the Community Impact Board for the purpose of constructing improvements at the recreation and cemetery facilities. The terms of the loan require yearly payments of \$10,000 for 25 years. The loan is interest free.

The following is an amortization schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/07	10,000	-	10,000
2007/08	10,000	-	10,000
2008/09	10,000	-	10,000
2009/10	10,000	-	10,000
2010/11	10,000	-	10,000
2012/16	50,000	-	50,000
2017/21	50,000	-	50,000
2022/26	50,000	-	50,000
2027/31	30,000	-	30,000
Total	<u>230,000</u>	<u>-</u>	<u>230,000</u>

The following is a schedule of General Long-Term Debt Service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006/07	73,000	2,490	75,490
2007/08	74,000	1,260	75,260
2008/09	32,000	-	32,000
2009/10	32,000	-	32,000
2010/11	32,000	-	
2012/16	119,000	-	119,000
2017/21	50,000	-	50,000
2022/26	50,000	-	50,000
2027/31	30,000	-	30,000
Total	<u>492,000</u>	<u>3,750</u>	<u>463,750</u>

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt payable:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Utility Long-Term Debt:							
Sewer Refunding Revenue Bonds	1988	10.98%	162,000	50,000	-	15,000	35,000
Water Refunding Revenue Bonds	1988	10.98%	278,000	85,000	-	26,000	59,000
Total			440,000	135,000	-	41,000	94,000
General Long-Term Debt:							
1997 CIB Loan	1997	3%	375,000	123,000	-	40,000	83,000
2002 CIB Loan	2002	0%	222,500	201,000	-	22,000	179,000
2003 CIB Loan	2003	0%	250,000	240,000	-	10,000	230,000
Total			847,500	564,000	-	72,000	492,000
Total Long-Term Debt			1,287,500	699,000	-	113,000	586,000

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Compensated Absences:

Compensated absences of Huntington City represent accrued vacation pay and associated payroll costs owed at June 30, 2006, in the amount of \$3,700.

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	4,436	-	736	3,700

Municipal Building Authority:

The Municipal Building Authority (MBA) was organized on September 18, 1997 under Chapter 3, Title 17A, of the Utah Code Annotated. The trustees are the Mayor and City Councilmembers of the City. The MBA obtained funding from the Community Impact Board to help finance the construction of a new City Hall.

NOTE 7 - CAPITAL IMPROVEMENT FUND

On October 12, 1983, the City adopted an ordinance creating a Capital Improvement Fund for the purpose of financing the purchase of real property and the cost of planning, construction, or rehabilitating public buildings or other public works and capital improvements relating to recreation, parks, streets, or sidewalks. The fund will be for expenses necessary to construct, furnish and/or equip said public buildings or public works, or for the purchase of major road equipment.

The following is a statement of receipts and disbursements in the Capital Improvement Fund:

Fund Balance - Beginning of Year	1,245,671
Receipts:	
Transfer from General Fund	275,000
Disbursements	(23,500)
Fund Balance - End of Year	1,497,171

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 8 - CLASS C ROAD - RESERVED FUND BALANCE

The following is a statement of receipts and disbursements in Class C Roads:

Reserved Fund Balance - Beginning of Year		220,583
Receipts:		
State of Utah Allotments	98,373	
Interest	<u>6,571</u>	
Total Receipts		104,944
Disbursements:		
Construction and Maintenance	(107,847)	
Bond Principal	(62,000)	
Bond Interest	<u>(3,690)</u>	
Total Disbursements		<u>(173,537)</u>
Reserved Fund Balance - End of Year		<u><u>151,990</u></u>

NOTE 9 - PERPETUAL CARE FUND

The following is a statement of receipts and disbursements in the Perpetual Care Fund:

Fund Balance - Beginning of Year		123,865
Receipts:		
Perpetual Care Payments	2,698	
Interest	<u>9,554</u>	
Total Receipts		12,252
Disbursements:		
Interest Credited to General Fund		<u>(9,554)</u>
Fund Balance - End of Year		<u><u>126,563</u></u>

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 10 - TRANSFERS

Description:	<u>Transfers In</u>	<u>Transfers Out</u>
General	-	275,000
Capital Improvement	<u>275,000</u>	<u>-</u>
Totals	<u><u>275,000</u></u>	<u><u>275,000</u></u>

Transfers were made for the following purposes:

- * The General Fund transferred \$275,000 to the Capital Improvement Fund for future capital outlays.

NOTE 11 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Huntington City contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Huntington City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Huntington City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$13,980.09, \$12,419.56 and \$10,996.11. The contributions were equal to the required contributions for each year.

**HUNTINGTON CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is insured with St. Paul Insurance Company for automobile liability coverage of \$1,000,000 each accident. Uninsured and underinsured motorist, \$1,000,000 each accident. Each City automobile is insured to value for collision and comprehensive with a \$1,000 deductible respectively. Some automobiles with little value are only insured for liability. The City is insured for personal injury and property damage each occurrence \$1,000,000. Personal injury, employee benefits injury and advertising injury limit \$1,000,000. The City is insured for commercial property and inland marine with 90% coinsurance and \$1,000 deductible and coverages on buildings and equipment as listed in policy.

Workers Compensation is through Worker's Compensation Fund of Utah. Other coverages such as fidelity bond coverage is provided through other coverages and is an amount greater than that required by State law.

The City had various other coverages. In the current fiscal year the City provided medical and health through a policy with Public Employees Health Plan (PEHP) of Utah. The maximum out-of-pocket expense per person per year is \$250 or \$750 per family per year.

Claims have not exceeded coverage in any of the last three calendar years.

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City's resolution 102002 established the following postemployment benefits for City employees.

It shall be the policy of Huntington City to pay one hundred (100%) of the health and dental insurance premiums of the full time employee and his or her family. Upon retirement, at age sixty-two (62), employee may convert unused sick leave to paid-up health insurance at the rate of three (3) sick days for one (1) month paid health insurance not to exceed thirty-six (36) months. Employees not covered by said conversion may purchase health insurance at their own expense, payable to the City by first of each month and retainer of one (1) month in advance. Such medical protection provided herewith, and limits thereof, shall be set by the City Council. The clause is retroactive only to February 21, 1991.

These benefits will be paid on a pay-as-you-go basis. There have been no benefits paid during this fiscal year. There are presently no former employees receiving this benefit.

NOTE 14 - RELATED PARTY TRANSACTIONS

During the fiscal year there were related party transactions with one City Councilmember. The amount paid to Hillary Gordan was \$5,765.71. These expenditures were all approved by the City Council.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**HUNTINGTON CITY
CONDITION RATING OF THE CITY'S ROAD SYSTEM**

For The Fiscal Year Ended June 30, 2006

Percentage of Lane-Miles in Good or Better Condition:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Paved	85	88	89
Gravel	75	74	76
Dirt	95	94	90
Overall System	80	85	85
Bridges	70	70	70

Percentage of Lane-Miles in Substandard Condition:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Paved	7	6	5
Gravel	10	9	8
Dirt	5	4	3
Overall System	8	7	6
Bridges	10	10	10

Comparison of Needed-to-Actual Maintenance/Preservation - Roads and Bridges:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Estimated	150,000	327,000	346,500
Actual	140,000	100,000	200,000

The condition of road pavement is measured using the American... (AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

This schedule only presents the information for 2004, 2005 and 2006. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the City implemented these new standards in 2004, and did not collect this information for the prior years. The City will continue to collect and retain this information so that over a period of five years it will be able to report the required information.

The condition of the City's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the City's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**HUNTINGTON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Budgetary Fund Balance, July 1, 2005	<u>350,457</u>	<u>350,457</u>	<u>350,457</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	55,568	55,568	57,548	1,980
Prior Years Taxes	6,000	6,000	7,550	1,550
Fee-In-Lieu	18,000	18,000	21,487	3,487
General Sales and Use Taxes	320,000	320,000	413,966	93,966
Franchise Taxes	<u>53,000</u>	<u>53,000</u>	<u>74,590</u>	<u>21,590</u>
Total Taxes	<u>452,568</u>	<u>452,568</u>	<u>575,141</u>	<u>122,573</u>
Licenses and Permits:				
Business Licenses	6,000	6,000	6,586	586
Building Permits	1,000	1,000	386	(614)
Animal Control	<u>1,200</u>	<u>1,200</u>	<u>1,295</u>	<u>95</u>
Total Licenses and Permits	<u>8,200</u>	<u>8,200</u>	<u>8,267</u>	<u>67</u>
Intergovernmental Revenue:				
State Liquor Allotment	2,000	2,000	1,999	(1)
Class C Road Fund	316,000	316,000	98,373	(217,627)
State Grants	-	359,800	359,800	0
Federal Grants	<u>13,130</u>	<u>13,130</u>	<u>12,621</u>	<u>(509)</u>
Total Intergovernmental Revenue	<u>331,130</u>	<u>690,930</u>	<u>472,793</u>	<u>(218,137)</u>
Charges for Services:				
Administrative Services	39,000	39,000	39,000	-
Sales of Cemetery Lots and Services	3,000	3,000	3,615	615
Park and Town Hall Fees	<u>1,500</u>	<u>1,500</u>	<u>985</u>	<u>(515)</u>
Total Charges for Services	<u>43,500</u>	<u>43,500</u>	<u>43,600</u>	<u>100</u>

**HUNTINGTON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Resources (Inflows) Continued:				
Miscellaneous Revenue:				
Interest	49,000	45,000	100,947	55,947
Rents and Concessions	-	4,000	-	(4,000)
Miscellaneous	200	200	3,178	2,978
Total Miscellaneous Revenue	<u>49,200</u>	<u>49,200</u>	<u>104,125</u>	<u>54,925</u>
Contributions and Transfers:				
Contributions from Surplus	110,000	110,000	-	(110,000)
Amounts Available for Appropriation	<u>1,345,055</u>	<u>1,704,855</u>	<u>1,554,383</u>	<u>(150,472)</u>
Charges to Appropriations (Outflows):				
General Government:				
City Council	31,400	31,400	27,676	3,724
Personnel	170,000	170,000	125,063	44,937
Treasurer	60,200	60,200	54,520	5,680
Recorder	50,700	50,700	45,821	4,879
Non-Departmental	170,173	519,173	81,790	437,383
Planning and Zoning	15,500	15,500	1,071	14,429
Total General Government	<u>497,973</u>	<u>846,973</u>	<u>335,941</u>	<u>511,032</u>
Public Safety:				
Public Safety	4,200	4,200	2,048	2,152
Fire Department	28,950	39,750	29,362	10,388
Animal Control	2,000	2,000	1,385	615
Total Public Safety	<u>35,150</u>	<u>45,950</u>	<u>32,795</u>	<u>13,155</u>
Streets and Public Improvements:				
Streets - Shop	-	13,000	9,128	3,872
Streets and Highways	108,190	95,190	92,123	3,067
Class "C" Roads	254,310	254,310	107,847	146,463
Total Streets and Public Improvements	<u>362,500</u>	<u>362,500</u>	<u>209,098</u>	<u>153,402</u>

**HUNTINGTON CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Charges to Appropriations (Outflows) Continued:				
Parks, Recreation and Public Property:				
Arena	10,850	10,850	10,784	66
Heritage Days	29,125	15,000	13,590	1,410
Parks and Recreation	29,500	43,625	41,643	1,982
Cemetery	29,500	29,500	19,573	9,927
Total Parks, Recreation and Public Property	<u>98,975</u>	<u>98,975</u>	<u>85,590</u>	<u>13,385</u>
Transfers:				
Transfer to Other Funds	-	-	275,000	(275,000)
Total Charges to Appropriations	<u>994,598</u>	<u>1,354,398</u>	<u>938,424</u>	<u>415,974</u>
Budgetary Fund Balance - June 30, 2006	<u>350,457</u>	<u>350,457</u>	<u>615,959</u>	<u>265,502</u>

**HUNTINGTON CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	1,554,383
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(350,457)
Transfers from other funds are inflows of budgetary resources but are not revenue for financial reporting purposes.	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>1,203,926</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	938,424
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(275,000)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>663,424</u></u>

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

**HUNTINGTON CITY
NONMAJOR GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Municipal Building Authority:

The Municipal Building Authority Fund is used to construct public facilities in the City and to pay the indebtedness related to the cost of those facilities.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**HUNTINGTON CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2006

	<u>Municipal Building Authority</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Government Funds</u>
ASSETS			
Investments - Unrestricted	<u>8</u>	<u>126,563</u>	<u>126,571</u>
TOTAL ASSETS	<u><u>8</u></u>	<u><u>126,563</u></u>	<u><u>126,571</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved, Reported in:			
Perpetual Care Fund	-	126,563	126,563
Special Revenue Fund	<u>8</u>	<u>-</u>	<u>8</u>
Total Fund Balances	<u>8</u>	<u>126,563</u>	<u>126,571</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>8</u></u>	<u><u>126,563</u></u>	<u><u>126,571</u></u>

HUNTINGTON CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2006

	<u>Municipal Building Authority</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total Nonmajor Government Funds</u>
Revenues:			
Miscellaneous	<u>10,000</u>	<u>2,698</u>	<u>12,698</u>
Total Revenues	<u>10,000</u>	<u>2,698</u>	<u>12,698</u>
Expenditures:			
Debt Service:			
Principal	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balance	-	2,698	2,698
Fund Balances - Beginning	<u>8</u>	<u>123,865</u>	<u>123,873</u>
Fund Balances - Ending	<u><u>8</u></u>	<u><u>126,563</u></u>	<u><u>126,571</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Huntington City
Huntington, Utah 84528

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Huntington City as and for the year ended June 30, 2006, which collectively comprise Huntington City's basic financial statements and have issued our report thereon dated August 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

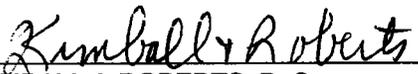
In planning and performing our audit, we considered Huntington City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huntington City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council
Huntington City
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This report is intended solely for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 10, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Huntington City
Huntington, Utah 84528

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Huntington City, for the year ended June 30, 2006, and have issued our report thereon dated August 10, 2006. As part of our audit, we have audited Huntington City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Compliance Audit Guide for the fiscal year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
CIB Grant (Department of Community and Economic Development)

The City also received the following nonmajor grant, which is not required to be audited for specific compliance requirements, (However, this program was subject to testwork as part of the audit of Huntington City's financial statements.)

Fire Department Grant (Department of Natural Resources)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Huntington City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council
Huntington City
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The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Huntington City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 10, 2006
Richfield, Utah